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August 30, 2019

Citizen Commission for Performance Measurement of Tax Preferences
PO Box 40910
Olympia, WA 98504-0910

Sent via email:

RE: Port of Moses Lake Comments on:

- 1. The Legislative Auditor's Recommendations for Additional Clarification Related to the Aerospace Tax Preferences; and**
- 2. The Legislative Auditor's Recommendation Related to the Sales and Use Tax Exemption for Non-Residents Who Modify Their Large Private Airplanes in Washington.**

The Port of Moses Lake is pleased to submit these comments to the Citizen's Commission for Performance Measurements of Tax Preferences in response to the Legislative Auditor's question on whether the aerospace tax preferences were meeting the stated objective to maintain and grow Washington's aerospace industry workforce.

These comments also respond to the recommendation related to the sales and use tax exemption for non-residents who modify their large private airplanes in Washington.

The Port believes the aerospace incentives are, indeed, meeting the objective for maintaining and growing the aerospace workforce in our rural Central Washington location and that further legislative clarification is unnecessary. The incentives are also key factors in the Port's recent success in attracting new aerospace related jobs and businesses to the Port of Moses Lake.

About the Port of Moses Lake:

The Port of Moses Lake is in rural central Washington 100 miles west of Spokane and approximately 160 miles east of Seattle. Originally home to the Larson Air Force Base, the Port of Moses Lake now houses the Grant County International Airport (GCIA) and industrial areas containing over 4,500 acres of quality infrastructure.

The GCIA has one of the largest airfields in the United States and can accept the largest aircraft in the world. The airport enjoys 350 days of excellent VFR weather and provides critical support for Washington's aerospace sector in military and commercial test flight programs, aircraft modification and repair, flight training and education. The GCIA includes five runways and an onsite FAA control tower for commercial, military, and general aviation use.

Grant Co. International Airport covers an area of 4,650 acres at an elevation of 1,189 feet above sea level.

Figure 1: Overview of the Port of Moses Lake



The GCI serves as a secondary airfield for Military facilities in the Pacific Northwest and is an integral part of the WA Emergency Management continuity plans in the case of a disaster that disrupts the major transportation modes in the Puget Sound region. It also serves as a major staging and support airfield for wildfire and other natural disaster response. Due to the proximity of major military bases in Washington, the GCI is an important mission

training resource. The GCI is an incredible economic asset, with growing opportunities to link air cargo with rail. (note – Takata is now Joyson Industries)

Aerospace Related Employment Has Increased at the Port of Moses Lake Since Adoption of the Aerospace Tax Preferences

JLARC's preliminary report correctly notes that employment in aerospace is,

“...higher than when the preferences were first enacted in 2003”.

Although there have been fluctuations in Boeing employment since 2013, the preliminary report also notes,

“During this period, non-Boeing aerospace employment increased by 3,300 jobs. Boeing's share of Washington aerospace employment fell from 87% in 2013 to 81% in 2018.”

The non-Boeing aerospace employment growth, particularly in our rural, Grant County location has been vital to our local economy. Since the aerospace tax preferences were enacted, the Port has successfully attracted:

- **Aviation Technical Services and Greenpoint Technologies** design and install custom interiors and modifications in aircraft for customers around the world. These companies *currently employ 35 and can increase up 100 employees* at their height of their programs.
- **Mitsubishi Aircraft Corporation** located testing and certification programs for their new generation of regional jets (the MRJ program) at the Port of Moses Lake. The testing and

certification program currently *employ about 500 people* between Moses Lake and the Puget Sound area.

- **AeroTEC** has recently completed investment in new hangar capacity for testing and certification programs of new electric aircraft technology. AeroTEC and the Port are also partnered in efforts to attract flight testing and certification programs for the next generation of supersonic aircraft at Moses Lake. Each of these testing programs contribute *100-150 high paying jobs* per major flight test program to the local economy.
- **Boeing** is adapting their facilities at the Port of Moses Lake to address ongoing needs for the 737 MAX program. That program will *generate 400-500 short term jobs* and may lead to longer term opportunities for employment in Central Washington.
- **SGL Carbon** is currently expanding product offerings to support aerospace manufacturing. SGL currently *employs 160* and is considering Moses Lake for a major expansion which would *increase the number of employees up to 225*.

Future opportunities at the Port of Moses Lake are reliant on the Aerospace Tax Preferences. Those opportunities include:

- **Aerospace manufacturing, repair and installation** – the Port is working with several prospective customers interested in taking advantage of the ample tarmac, land area and airport capacity at the GCIA
- **The movement of air cargo**, including maintenance and support facilities. The Port has recently demonstrated its ability to ship perishable agricultural products by air freight from Moses Lake. Air Cargo operators are exploring increased capacity from Moses Lake.
- **Expansion of SGL Carbon**
The Port firmly believes that the aerospace tax preferences, combined with the unique features of the GCIA, are the factors that attracted these businesses to bring jobs and facilities to Central Washington. They are also crucial in our ability to recruit new aerospace businesses, and for expanding our current aerospace sector.

The Port Supports the Legislative Auditor's Recommendation to Continue the Sales and Use Tax Exemption for Non Residents who Modify Their Large Private Airplanes in Washington

The preliminary JLARC report states,

“The Legislature should continue the preference by extending the expiration date before it is scheduled to expire on July 1, 2021.”

“Since the preference was enacted, several large private airplanes have been modified, or are currently being modified, in Washington. This work was not conducted in Washington prior to the preference. This work has created new jobs and increased economic activity in Moses Lake and elsewhere in the state. “

“The preference has had a negligible impact on Washington's broader aerospace manufacturing industry. The Legislature should clarify whether the objective of growing the broader aerospace manufacturing industry is relevant.”

“If the preference is allowed to expire, the modification activity would likely cease.”

The Port concurs with the recommendation to continue this tax preference; however, we urge the final report to not characterize jobs in this sector as “negligible” We understand that the total number of jobs may seem small when compared to the overall aerospace sector; however, in rural

Central Washington, any high paying aerospace job is important and brings extraordinary value to the community. Moreover, Aviation Technical Services and Greenpoint Technologies work with vendors across Washington State to manufacture different components of the custom work they install in these aircraft, adding more jobs and economic activity across the state. The Port does not believe it is necessary for additional clarification on whether, “growing the broader aerospace manufacturing industry is relevant.”

To summarize, the Port of Moses Lake:

- Urges the Citizen’s Commission for Performance Measurements on Tax Preferences to recognize the extraordinary importance of these tax preferences for maintaining current employment and creating new opportunities in aerospace in rural Central Washington. A significant portion of the non-Boeing employment growth cited in the JLARC report has occurred in Moses Lake. We don’t believe further legislative clarification is necessary.
- Agrees with the recommendation to continue the sales and use tax exemption for Non-Residents who Modify Their Large Private Airplanes in Washington; however, we don’t believe it is necessary for clarification on whether this employment is “relevant”. It is certainly important in our community.

Thank you for considering these comments.

Respectfully,

Kim DeTrolia

Kim De Trolia

Interim Executive Director